

State of Arkansas

***Year-end Closing Package
For Service Bureau Agencies***

Fiscal Year Ended: June 30, 2005

Business Area Name

Business Area Number

STATE OF ARKANSAS

DEPARTMENT OF FINANCE AND ADMINISTRATION OFFICE OF ACCOUNTING

Service Bureau Closing Book for FY 2005

Business Area Name: _____

Business Area Number: _____

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STATE OF ARKANSAS

DEPARTMENT OF FINANCE AND ADMINISTRATION OFFICE OF ACCOUNTING

Service Bureau Closing Book for FY 2005

Business Area Name: _____

Business Area Number: _____

GENERAL INSTRUCTIONS

FISCAL YEAR ENDED: JUNE 30, 2005

The 2005 Service Bureau Closing Book facilitates the collection, transmission and compilation of financial information from the various State of Arkansas (the "State") agencies, to the Department of Finance and Administration (DFA) which will permit the preparation of the State's Comprehensive Annual Financial Report (CAFR) in accordance with generally accepted accounting principles (GAAP).

Timely completion and submission of the 2005 Service Bureau Closing Book is essential to allow for the analysis and compilation of data, resolution of questions, preparation of the financial statements, and subsequent audit and publication of the CAFR in a timely manner.

AGENCY RESPONSIBILITIES

The various State agencies are each responsible for safeguarding assets in its charge, the execution of only properly authorized transactions, and the maintenance of the necessary financial information to document the discharge of its responsibilities. Therefore, the primary responsibility for the collection, maintenance, recording, and transmission of information to permit DFA to prepare GAAP financial statements lies with each agency.

It is imperative that agencies also maintain 1) an adequate internal control structure to reduce the risk that errors or irregularities may occur and not be corrected timely in the normal course of agency staff business, and 2) an audit trail so that the independent auditor can readily trace financial information transmitted to DFA or recorded in AASIS to the original source transaction information. Therefore, each agency should tailor the year-end process to its own circumstances and document those processes for future training or audit.

The Department of Finance and Administration will propose journal entries for all Service Bureau agencies based on the answers provided to the questions included in this document. It is the Agency's responsibility to provide accurate and complete answers to each question.

2005 SERVICE BUREAU CLOSING BOOK ORGANIZATION

The 2005 Service Bureau Closing Book is organized into sections addressing entries needed for the financial statements, the notes to the financial statements and representations required by the auditors. Some of these sections will not apply to every agency. Within each section there is the purpose of the section, identification of the relevant forms with which to transmit the GAAP information to DFA, and procedures on completing the forms.

The last section is the representation letter and is applicable to all agencies, institutions, and departments. This representation letter must be prepared on agency letterhead and signed by the **chief executive officer** and **chief**

accounting officer of each agency and submitted with the 2005 Service Bureau Closing Book.

- * For those sections not applicable to your agency, check "not applicable" (NA) on the information form and return to DFA with your 2005 Service Bureau Closing Book.
- * All forms must be returned either completed or marked N/A and signed by the agency director or his/her designee.

Questions should be directed to your agency's DFA - Office of Accounting CAFR liaison.

Please send the completed 2005 Service Bureau Closing Book to Department of Finance and Administration - Office of Accounting by July 20, 2005.

The Preferred Medium of Correspondence is via e-mail at the following e-mail address:

**Marnie Davidson
marnie.davidson@dfa.state.ar.us**

By U.S. Mail:
P.O. Box 3278
Little Rock, AR 72203

By Messenger Service / Courier:
1515 W. 7th
1515 Building Room 605

DFA-Office of Accounting-CAFR Section

Here is the current list of DFA CAFR liaisons:

John Bata	683-4634	john.bata@dfa.state.ar.us
Bill Dull	683-4631	bill.dull@dfa.state.ar.us
Debbie Harper	683-4630	debbie.harper@dfa.state.ar.us
Linda Hensley	683-4635	linda.hensley@dfa.state.ar.us
Gary Prince	683-0397	gary.prince@dfa.state.ar.us
Sheila Watts	683-1173	sheila.watts@dfa.state.ar.us
Marcella Winzerling	683-0396	marcella.winzerling@dfa.state.ar.us

**COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)
TIME LINE
FISCAL YEAR ENDED JUNE 30, 2005**

Deadline:

June 25, 2005

Agencies provide all Post Cap Forms to DFA-OA-CAFR that need to be completed by June 30, 2005.

Agency personnel settle all construction related WBS elements that are not expected to have anymore GR's. Agencies settle all completed AUC's to final assets.

June 30, 2005

Agency personnel settle all remaining construction-related WBS elements.

Agency personnel settle completed construction-in-progress finished since 6/25 to proper fixed asset categories.

All agencies must have leave balances (compensated absences) updated in the AASIS HR module.

DFA-OA-CAFR Section will extract compensated absences information from AASIS.

GRIR balances must be cleaned up by agencies.

July 8, 2005

DFA-OA-CAFR Section will obtain accrued interest calculation from Treasury.

July 12, 2005

AASIS will provide DFA-OA-CAFR Section with payroll information to calculate payroll accruals.

All June FY2005 cash activity must be entered in AASIS and reconciled to the June 30, 2005 bank statements. Agencies which have bank accounts with a statement cut-off date other than June 30, 2005, must have all June cash activity entered in AASIS and reconciled to the June 30, 2005 bank balance ten days after the statement date.

July 15, 2005

Agencies with their own HR systems (do not use AASIS for leave balances) must calculate and record their compensated absences. If instructions are needed, contact DFA-OA-CAFR Section. These agencies must submit supporting documentation for the leave balances to DFA-OA-CAFR Section.

DFA-OA-CAFR Section will e-mail final compensated absences information to agencies that use AASIS for leave balances with instruction on how to record the compensated absences entries.

DFA-OA-CAFR Section will email accrued interest on Treasury trust CD's to agencies with instructions on how to record.

Each agency must have provided all due to/due from information (fund, general ledger account and amount) to the reciprocal agency.

July 20, 2005	Service Bureau agencies must provide Closing Package to DFA-OA-CAFR.
July 21, 2005	Agencies must have submitted all reconciliations of cash activity to DFA-OA-Treasury Reconciliation unit.
July 22, 2005	<p>DFA-OA-CAFR Section will e-mail payroll accrual information to the agencies with instructions on how to record.</p> <p>Agencies with their own HR systems (do not use AASIS for payroll) must calculate and record their accrued payroll. If instructions are needed, contact DFA-OA-CAFR Section. These agencies must submit supporting documentation for the accrued payroll balances to DFA-OA-CAFR Section.</p>
July 25, 2005	DFA-OA-CAFR Section will run ZSIC report for sick leave.
July 30, 2005	<p>Agencies (excluding service bureau agencies) must have completed period 13 and 15 year-end closing entries, excluding accounts receivable, sick leave and accounts payable.</p> <p>Agencies (excluding service bureau agencies) provide the Year-end Closing Package along with all supporting documentation such as subsidiary ledgers, bank reconciliations, etc. that support the amounts on each agency's trial balance to DFA-OA-CAFR Section.</p>
July 31, 2005	Agencies (excluding service bureau agencies) have all interfund transfers balanced and corrected in AASIS.
August 2, 2005	DFA-OA-CAFR Section must have the information from the State's Retirement Systems needed for sick leave accruals.
August 9, 2005	<p>DFA-OA-CAFR Section will e-mail sick leave information to agencies that use AASIS for leave balances with instruction on how to record the sick leave accrual entries.</p> <p>Agencies with their own HR systems (do not use AASIS for leave balances) must calculate and record their sick leave accruals. If instructions are needed, contact DFA-OA-CAFR Section. These agencies must submit documentation for the entries to DFA-OA-CAFR Section.</p>
August 16, 2005	<p>DFA-OA-CAFR Section will extract "Y" vouchers information from AASIS. Please insure that you put a "Y-xxxx" in the reference field for all Y Vouchers. Failure to put the "Y-" reference as the first two digits will result in unrecorded liabilities.</p>
August 23, 2005	DFA-OA-CAFR Section will e-mail accounts payable ("Y" voucher) information to agencies with instructions on how to post.

August 23, 2005	Accrued sick leave entries must be posted by agencies (excluding service bureau agencies).
August 25, 2005	Agencies (excluding service bureau agencies) post entry for accounts receivable into AASIS. Provide supporting documentation for the amounts reported as accounts receivable, deferred revenue and allowance for uncollectible accounts, such as subsidiary ledgers, accounts receivable aging reports, etc to DFA-OA-CAFR.
August 30, 2005	Accounts payable entries must be posted by agencies (excluding service bureau agencies).
September 1, 2005	All agency personnel will be blocked from posting entries into FY2005.
September 15, 2005	All agencies provide Analytical Review to DFA-OA-CAFR Section. This form can not be completed until all entries are posted by your agency and the Office of Accounting.
September 30, 2005	Colleges and Universities provide College and University GAAP Closing Book.
October 14, 2005	<p>Applicable agencies provide audit reports:</p> <ul style="list-style-type: none"> Safe Drinking Water Construction Assistance Fund War Memorial UAMS <p>Retirement Systems provide Retirement Systems Closing Book.</p> <p>ADFA provide financial statements on Community Technical College Revolving Loan Fund.</p> <p>Applicable agencies provide risk management information:</p> <ul style="list-style-type: none"> EBD Worker's Comp State Insurance Dept. State Police ADEQ ASU University of Arkansas Systems
October 17, 2005	Retirement Systems must provide calculation of any Net Pension Asset or Net Pension Obligation to DFA-OA-CAFR. Retirement Systems will need to verify the accuracy of the schedules provided. This schedule is titled: "Determination of Pension Cost and Net Pension Obligation GASB Statement No. 27."

October 24, 2005

Legislative Audit to furnish the following College and University audits to DFA-OA-CAFR Section for inclusion in the CAFR: University of Arkansas Consolidated System, Arkansas State University Consolidated System, Arkansas Tech University, and University of Central Arkansas.

October 26, 2005

Applicable agencies provide all discretely presented component unit audits or financial statements and notes.

Retirement Systems provide pension plan actuarial reports.

PLEASE NOTE:

Certain items on the timeline do not apply to Colleges and Universities, ADFA, Student Loan Authority, and the Retirement Systems because these agencies submit either a Closing Book with financial statements or a GAAP basis audit report and no information is gathered from AASIS.

Questionnaire

To answer the following questions you will need a period 0 -12 trial balance.

- 1 Did your agency have any petty cash and/or change funds not in a financial institution at 6/30/2005? ☐ Yes ☐ No
If yes, please complete the information below.

Total

- 2 Did your agency have any unrecorded undeposited receipts on hand at the close of business on 6/30/2005? ☐ Yes ☐ No
If yes, please complete the information below.

Total

- 3 Did your agency have any cash on deposit at financial institutions at 6/30/2005? ☐ Yes ☐ No
- If yes, please complete Form 1A. If you have not already provided copies of your bank reconciliations and bank statements for 6/30/2005 to the DFA-OA-Reconciliation Team or DFA-OA-Service Bureau, please include with this packet.

- 4 Did your agency have any certificates of deposits with an original maturity of 90 days or less at 6/30/2005? ☐ Yes ☐ No
- If yes, please complete Form 1C. If you have not already provided 3rd party support to the DFA-OA-Reconciliation Team or DFA-OA-Service Bureau, please include a statement from the financial institution showing the balance as of 6/30/2005.

- 5 Did your agency have any certificates of deposit with an original maturity of greater than 90 days at 6/30/2005? ☐ Yes ☐ No
- If yes, please complete Form 1C. If you have not already provided 3rd party support to the DFA-OA-Reconciliation Team or DFA-OA-Service Bureau, please include a statement from the financial institution showing the balance as of 6/30/2005.

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BUSINESS AREA NAME _____
BUSINESS AREA NUMBER _____

- 6 Did your agency have any other type of investments such as stocks, bonds, government securities, money markets, etc. at 6/30/2005? ☐ Yes ☐ No

If yes, please complete Form 1B. If you have not already provided statements from the financial institution or investment company to the DFA-OA-Reconciliation Team or DFA-OA-Service Bureau, please include the statement showing the 6/30/2005 balance.

Please do not include any TMMP balances on Form 1B.

- 7 Did your agency purchase any new investments during 2005? ☐ Yes ☐ No

If yes, what GL (expense or investment) account and fund was the check or warrant coded to? _____
What was the amount of the purchase? _____

- 8 Did your agency have interest owed but not yet paid by the financial institutions or investment companies at 6/30/2005? ☐ Yes ☐ No

If yes, please complete the information below.

You should compute the accrued interest as follows: multiply the investment balance (1) by the annual interest rate (2) to arrive at the computed annual interest (3), divide the computed annual interest (3) by 365 days (4) to determine the daily interest, count the number of days since interest was last paid prior to 6/30/2005 (5 and 6) and multiply by the daily interest rate you computed in the previous step to arrive at the accrued interest amount(7) .

(1) Balance of investment/deposit as of date interest last paid prior to 6/30/2005	(2) Annual interest rate	(3) Computed annual interest amount	(4) Annual interest amount divided by 365	(5) Date interest was last paid prior to 6/30/2005	(6) Number of days since last interest receipt to year end	(7) Accrued interest	What fund would the interest be recorded in if received by 6/30/2005?	What cost center should we use to record this revenue in FY2005?	What, if any, WBS Element or Internal Order should we use?

Total

- 9 What was the value of your TMMP balance as of 6/30/2005 per the statement received from the Treasurer's Office? _____

What fund and cost center is the TMMP balance recorded in? _____

- 10 Did any outside sources (non-State Agencies (Colleges/Universities are State Agencies) and non-Federal Government) owe you for goods or services that had already been provided by your agency to them on 6/30/2005? ☐ Yes ☐ No

If yes, please complete the information below. If due to space limitations, all information can not be entered below, please provide a separate listing.

Please include the method you used to determine how much of the receivable balance is uncollectible.

For example, you might have used the methodology that 50% of all balances over 6 months old will not be collected.

There is no right or wrong methodology but you should base your estimate on past experiences that will stand up to audit.

Receivable from	Date service or goods were provided	Revenue GL that will be used to record income	Amount	* Amount of receivable received by August 14, 2005	How much of the amount that you have recorded as receivable is uncollectible?	What fund would be used to record the revenue if it was received by 6/30/2005	What cost center should we use to record the revenue?	What, if any, WBS Element or Internal Order should we use?

Total

Total

Total

* Please re-submit this page after August 14, 2005 with this field completed.

Methodology used for uncollectible estimate

BUSINESS AREA NAME	
BUSINESS AREA NUMBER	

- ☐
- Yes
- ☐
- No

Note: only include amounts that you had performed any necessary steps to be eligible to receive the draw.

For example, on a reimbursement grant, only include draws owed to you for amounts spent by your agency up through 6/30/2005.

<u>What fund would be used to record the revenue if it was received by 6/30/2005?</u>	<u>What cost center should we use to record the revenue?</u>	<u>What, if any, WBS Element or Internal Order should we</u>

Total

- 11/11/2016

11/11/2016

- ☐
- Yes
- ☐
- No

If yes, please complete the information below. If all information will not fit below, please provide an attachment in the same format.

	<u>What fund was the warrant or</u>	<u>What cost center should we use to</u>	<u>What, if any, WBS</u>
<u>Expense GL used to record purchase of item</u>	<u>check that purchased items recorded in?</u>	<u>record this entry?</u>	<u>Element or Internal Order should we use?</u>

Total

- ☐
- Yes
- ☐
- No

If yes, please complete the information below. You should compute prepaid amounts as follows: Divide the total amount paid (1) by the number of days covered by the payment

(2) to arrive at a daily amount (3). Next multiply the daily amount (3) by the number of days that fall in the next fiscal year (4) to arrive at the prepaid amount (5).

				What fund was the warrant or check that recorded the expense in?	What cost center should we use to record this entry?	What, if any, WBS Element or Internal Order should we use?
(3) Daily amount	(4) Number of days that fall in the next fiscal year	(5) Amount prepaid	Expense GL used to record purchase			

Total

- ☐ Yes ☐ No

☐ Yes ☐ No

If no, please contact your CAFR liaison.

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BUSINESS AREA NAME _____
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16 Do you agree that the amounts recorded in GL's 2111001000 and 2110001000 are accurate and represent recent transactions that you do in fact still intend to pay? ☐ Yes ☐ No
If no, please provide an explanation _____

17 How much did your agency owe other State Agencies (including Colleges/Universities) on 6/30/2005? _____
Please fill out Form 2B in detail.

18 DFA-OA-CAFR will e-mail your agency at a later date with the payroll accrual. After getting your approval, DFA will post the amount calculated.

19 Did your agency have any type of claims (legal or other) that were owed at 6/30/2005? ☐ Yes ☐ No
If yes, please list the amount and a description of the type of claim here _____
You should also complete the related questionnaire.

20 Did your agency collect revenue in advance of being earned as of 6/30/2005? ☐ Yes ☐ No
For example, if you collect rent from tenants and they paid the rent for the month of July on June 28, you would include this amount here.
If yes, please complete the information below

(NOTE: If you advance payments on grants, donations or funded mandates, contact your liaison before completing this section.)

Type of revenue received in advance	Revenue GL that was used to record deposit	Period which revenue is for	Amount	What fund would be used to record the revenue if it was received by 6/30/2005?	What cost center should we use to record this entry?	What, if any, WBS Element or Internal Order should we use?

Total

21 Did your agency owe any balances on capital leases as of 6/30/2005? ☐ Yes ☐ No
If yes, please complete Form 3B. Please review GL's 2114001000 and 2220005000 to determine if you had a balance in the prior year.
Please include the information below

Interest paid during 2005	Principal paid during 2005	GL used to record interest	GL used to record principal	Fund where interest and principal expense	Cost center that was used to record payments

22 Did your agency owe any interest to debtors as of 6/30/2005? ☐ Yes ☐ No
For example, if your agency had a capital lease for which the monthly principal and interest payment were due on the 15th of the month, you would owe interest for the period covering June 16 through June 30 as of year end.
If yes, please complete the information below.
To compute, you divided the amount of the 1st interest payment in next fiscal year (1) by the number of days covered by next interest payment (2) to get the daily amount (3), then multiply the daily amount (3) by the number of days covered that fall within 2005 (4) to get the interest owed to debtors (5).

Date of 1st interest payment in next fiscal year	(1) Amount of 1st interest payment in next fiscal year	(2) Number of days covered by next interest payment	(3) Daily amount	(4) Number of days covered that fall within the 2005 fiscal year	(5) Interest owed to debtors at 6/30/2005

Total

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- 23 What was the amount of compensated absences payable provided to you by the DFA-OA-CAFR Section earlier this month?
Does this calculation appear accurate to you? ☐ Yes ☐ No
If no, please explain
- 24 Has all equipment and other assets of a capital nature (i.e. land and buildings) been recorded in AASIS with an asset number (i.e. in an asset shell)? ☐ Yes ☐ No
If no, please contact your CAFR liaison.
- 25 Are you aware of any other assets or liabilities that your agency might have that have not been addressed in one of the proceeding questions? ☐ Yes ☐ No
If yes, please contact your CAFR liaison.
- 26 Does your federal grant revenue general ledger balance agree with your federal draws and/or federal reports for FY2005? ☐ Yes ☐ No
If no, please explain any differences.
- 27 Please provide all audit adjustments from Legislative Audit or other outside auditors your agency has received since July 1, 2004.

STATE OF ARKANSAS

DEPARTMENT OF FINANCE AND ADMINISTRATION OFFICE OF ACCOUNTING

Service Bureau Closing Book for FY 2005

Business Area Name: _____

Business Area Number: _____

CASH, CASH EQUIVALENTS, AND INVESTMENTS

FISCAL YEAR ENDED: JUNE 30, 2005

ACCOUNTING POLICY: Each agency maintains its own records regarding cash and investments.

Deposits in Financial Institutions

FORM 1A - DEPOSITS IN FINANCIAL INSTITUTIONS

Report all commercial bank accounts whether appropriated or exempt from appropriation. If your agency does not have any commercial bank accounts, check the "Not Applicable" box at the top of the form.

Enter your Business area name and number at the top of the form. Enter your name, phone number, and the date at the bottom of the form.

List the following for each individual bank account:

- a. **Bank Name** - enter the full name of the financial institution.
- b. **Bank account number** - enter the bank account number from the bank statement.
- c. **AASIS Fund Code** - enter the fund where the commercial bank account is recorded.
- d. **Book balance per AASIS** - enter the book balance from the bank reconciliation. This balance must agree with AASIS.
- e. **Interest Bearing Yes or No?** - indicate whether the account earns interest.
- f. **Foreign Currency Denomination if applicable** - foreign-denominated deposits are exposed to foreign currency risk. Enter the foreign currency denomination if applicable (British pound, Canadian dollar, Swiss franc, etc.).
- g. **Bank statement balance** - enter the balance from the bank statement. This is the balance that will be allocated between columns h, i, j, k, and l based on levels of custodial credit risk.
- h. **Insured** - enter the amount of the bank statement balance insured by the FDIC. Each agency may have up to \$100,000 FDIC insurance for interest bearing accounts, (interest bearing checking accounts, savings accounts, CD's), and another \$100,000 FDIC insurance for non-interest bearing accounts with banks within the borders of Arkansas, for a maximum of \$200,000 for in-state banks. If the agency has several accounts with different branches of the same financial institution, the \$100,000 FDIC insurance is limited to the financial institution rather than the branch of the financial institution.

- i. **Collateralized - the collateral is held by the government's agent in the government's name.** The agent is not the pledging financial institution - enter the amount of the bank statement balance collateralized with securities held by the government's agent in the government's name. The agent is not the pledging financial institution.
- j. **Collateralized - the collateral is held by the pledging financial institution's trust department in the government's name** - enter the amount of the bank statement balance collateralized with securities held by the pledging financial institution's trust department in the government's name.
- k. **Collateralized - the collateral is held by the pledging financial institution's trust department or agent but not in the government's name** - enter the amount of the bank statement balance collateralized with securities held by the pledging financial institution's trust department or agent but not in the government's name.
- l. **Uninsured and Uncollateralized** - enter the amount of the *bank statement balance* that is uninsured and uncollateralized.
- m. **Total** - Total columns h, i, j, k, and l across. *This column must agree to the Bank Statement Balance in column g.*

Total all columns.

You will need to provide bank statements and reconciliations for every checking and savings account if you have not already turned into the Office of Accounting.

Date

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OFFICE OF ACCOUNTING

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Business Area Number:

FORM 1A - JUNE 30, 2005 DEPOSITS IN FINANCIAL INSTITUTIONS

(j) Collateralized - the collateral is held by the pledging financial institution's trust department in the government's name.	(k) Collateralized - the collateral is held by the pledging financial institution's trust department or agent but not in the government's name.	(l) Uninsured and Uncollateralized	(m) Total
			-
			-
			-
			-
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\$ -	\$ -	\$ -	\$ -

Investments

FORM 1B - INVESTMENTS HELD OUTSIDE THE STATE TREASURY

List all investments except certificates of deposit. Certificates of deposit are listed on Form 1C. Do not include investments held at the State Treasury.

If your agency does not have any investments, check the "Not Applicable" box at the top of the form.

Make sure your Business area name and number at the top of the form. Make sure your name, phone number, and the date at the bottom of the form.

List the following for each investment:

- a. **Investment Type** - enter each investment by investment type.
- b. **AASIS Fund Code** - enter the AASIS fund where the investment is recorded.
- c. **Fair Market Value in U.S. Dollars** - enter the fair market value in U.S. dollars.
- d. **Foreign Currency Denomination if applicable** - foreign-denominated investments are exposed to foreign currency risk. Enter the foreign currency denomination if applicable (British pound, Canadian dollar, Swiss franc, etc.).

Interest rate risk exists when there is a possibility that changes in interest rates will adversely affect an investment's fair value. Interest rate risk disclosures are required for all debt investments as well as investments in mutual funds, external investment pools, and other pooled investments that do not meet the definition of a 2a7-like pool. A 2a7-like pool is defined in the following link:

http://a257.g.akamaitech.net/7/257/2422/12feb20041500/edocket.access.gpo.gov/cfr_2004/aprqrtr/pdf/17cfr270.2a-7.pdf

Disclosures are required for any assumptions regarding cash flow timing, interest rate changes, and other factors. Governments also should disclose the terms of any debt investment that cause its fair value to be highly sensitive to interest rate changes (e.g., coupon multipliers, benchmark indices, reset dates, embedded options).

- e. **Amount Maturing in Less than 1 year** - enter the amount of the investment maturing in less than 1 year.
- f. **Amount Maturing in 1-5 Years** - enter the amount of the investment maturing in 1-5 years.
- g. **Amount Maturing in 6-10 Years** - enter the amount of the investment maturing in 6-10 years.
- h. **Amount Maturing in More than 10 Years** - enter the amount of the investment maturing in more than 10 years.
- i. **Callable Date if applicable** - enter the callable date if applicable.
- j. **Maturity Date** - enter the maturity date of the investment.

A *debt security* is a security representing a creditor relationship with an enterprise. It also includes (a) preferred stock that by its terms either must be redeemed by the issuing enterprise or is redeemable at the option of the investor and (b) a collateralized mortgage obligation (CMO) (or other instrument) that is issued in equity form but is required to be accounted for as a nonequity instrument regardless of how that instrument is classified (that is, whether equity or debt) in the issuer's statement of financial position. However, it excludes option contracts, financial futures contracts, forward contracts, and lease contracts.

Thus, the term *debt security* includes, among other items, U.S. Treasury securities, U.S. government agency securities, municipal securities, corporate bonds convertible debt, commercial paper, all securitized debt instruments, such as CMOs and real estate mortgage investment conduits (REMICs), and interest-only and principal-only strips.

Trade accounts receivable arising from sales on credit by industrial or commercial enterprises and loans receivable arising from consumer, commercial, and real estate lending activities or financial institutions are examples of receivables that do not meet the definition of *security*; thus, those receivables are not debt securities (unless they have been securitized, in which case they would meet the definition).

- k. **Credit Quality Rating of Investment in Debt Securities as described by Standard & Poor's** - enter the credit quality rating available through the credit rating search feature on the Standard & Poor's website at www.standardandpoors.com
- l. **Credit Quality Rating of Investment in Debt Securities as described by Fitch Ratings** - enter the credit quality rating available through the Fitch Ratings website at www.fitchratings.com

- m. **Credit Quality Rating of Investment in Debt Securities as described by Moody's Investors Service**- enter the credit quality rating available through the Moody's Investors Service website at www.moodys.com.
- n. **Amount insured or registered, or securities held by the government or its agent in the government's name**- enter the amount of the investment which falls in any one of the following categories:
- covered by SIPC protection or other brokerage insurance
 - registered with the issuer in the government's name (and not in negotiable form)
 - in the possession of the government, either physically or through its own book entry account or the government's agent in the government's name.
- o. **Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name** - enter the amount of the investment that is uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name. The counterparty is the same party that sold them to or bought them for the government.
- p. **Uninsured and unregistered, with securities held by the counterparty but not in the government's name**- enter the amount of the investment that is uninsured and unregistered, with securities held by the counterparty but not in the government's name.
- q. **Uninsured and unregistered, with securities held by the counterparty's trust department or agent but not in the government's name** - enter the amount of the investment that is uninsured and unregistered, with securities held by the counterparty's trust department or agent but not in the government's name.
- r. **Uncategorizable** - enter the amount of the investment not represented by securities.
- s. **Total** - Total columns n, o, p, q, and r. *This column must agree to the Fair Market Value in U.S. Dollars in column c.*

Total the columns.

You will need to provide statements or other 3rd party documentation for every investment, if you have not already turned into the Office of Accounting.

STATE OF ARKANSAS
DEPARTMENT OF FINANCE AND ADMINISTRATION - OFFICE OF ACCOUNTING
FORM 1B - JUNE 30, 2005 INVESTMENTS HELD OUTSIDE THE STATE TREASURY

Not Applicable ☐

Service Bureau Closing Book for FY 2005

Business Area Name: _____

Business Area Number: _____

			Foreign Currency Risk	Interest		
(a)	(b)	(c)	(d)	(e)	(f)	(g)
Investment Type	AASIS Fund Code	Fair Market Value in U.S. Dollars	Foreign Currency Denomination if applicable	Amount Maturing in Less than 1 year	Amount Maturing in 1-5 Years	Amount Maturing in 6-10 Years
U.S. Treasuries						
U.S. Government Agency Securities						
Commercial paper (list individually by issuer)						
1						
2						
Mutual bond fund (by avg maturity in months)						
Bonds (list individually by issuer and identify bonds with a call option)						
1						
2						
Repurchase Agreements (by maturity date)						
Bankers' acceptance						
Reverse Repurchase Agreements						
Corporate Stock (list individually by issuer)						
1						
2						
External investment pool						
Open-ended Money Market Mutual Funds						
Investment Trust						
Securities underlying reverse repurchase agreements:						
Other investments:						
1						
2						
TOTALS:		\$ -		\$ -	\$ -	\$ -

Business Area Number:

\$ -

Business Area Number:

21

Certificates of Deposit

FORM 1C - CERTIFICATES OF DEPOSIT HELD OUTSIDE STATE TREASURY

Report all certificates of deposit held outside the State Treasury. If your agency does not have any certificates of deposit held outside State Treasury, check the "Not Applicable" box at the top of the form.

Make sure your Business area name and number at the top of the form. Make sure your name, phone number, and the date at the bottom of the form.

List the following for each individual CD:

- a. **Bank Name** - enter the full name of the financial institution.
- b. **Account number** - enter the CD account number.
- c. **Purchase date** - enter the date the CD was purchased or reinvested.
- d. **Maturity date** - enter the maturity date of the CD.
- e. **Date interest was last paid** - enter the date interest was last paid or applied to the CD.
- f. **Interest rate** - enter the rate of interest being earned on the CD.
- g. **Negotiable or nonnegotiable** - indicate whether the CD is negotiable or nonnegotiable. Negotiable CDs are securities that normally are sold in \$1 million units and that can be traded in a secondary market. Nonnegotiable CDs are time deposits that are placed by depositors directly with financial institutions and that generally are subject to a penalty if redeemed before maturity.
- h. **AASIS Fund Code** - enter the fund where the CD is recorded
- i. **Bank Balance** - enter the bank balance of the CD as of the trial balance date. (6/30/05) This amount must agree with AASIS.
- j. **Insured** - enter the amount of bank balance insured by the FDIC. Each agency may have up to \$100,000 FDIC insurance for interest bearing accounts, (interest bearing checking accounts, savings accounts, CD's), and another \$100,000 FDIC insurance for non-interest bearing accounts with banks within the borders of Arkansas, for a maximum of \$200,000 for in-state banks. If the agency has several accounts with different branches of the same financial institution, the \$100,000 FDIC insurance is limited to the financial institution rather than the branch of the financial institution.
- k. **Collateralized - the collateral is held by the government's agent in the government's name. The agent is not the pledging financial institution** - enter the amount of the bank balance collateralized with securities held by the government's agent in the government's name. The agent is not the pledging financial institution.
- l. **Collateralized - the collateral is held by the pledging financial institution's trust department in the government's name** - enter the amount of the bank balance collateralized with securities held by the pledging financial institution's trust department in the government's name.
- m. **Collateralized - the collateral is held by the pledging financial institution's trust department but not in the government's name** - enter the amount of the bank balance collateralized with securities held by the pledging financial institution's trust department but not in the government's name.
- n. **Uninsured and Uncollateralized** - enter the amount of the bank balance that is uninsured and uncollateralized.
- o. **Total** - Total columns j, k, l, m, and n across. *This column must agree to the Bank Balance in column i.*

Total the columns.

You will need to provide statements or other 3rd party documentation for each CD, if you have not already turned into the Office of Accounting.

STATE OF ARKANSAS
DEPARTMENT OF FINANCE AND ADMINISTRATION
OFFICE OF ACCOUNTING

Not Applicable ☐

FORM 1C - JUNE 30, 2005 CERTIFICATES OF DEPOSIT HELD OUTSIDE STATE TREASURY

Service Bureau Closing Book for FY 2005

Business Area Name: _____

Business Area Number: _____

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Bank Name	Account Number	Purchase Date	Maturity Date	Date interest was last paid	Interest rate	Negotiable CD or Non-negotiable CD	AASIS Fund Code	Bank Balance

TOTALS: \$ -

Prepared By

Agency Telephone Number

Date

STATE OF ARKANSAS
DEPARTMENT OF FINANCE AND ADMINISTRATION
OFFICE OF ACCOUNTING

FORM 1C - JUNE 30, 2005 CERTIFICATES OF DEPOSIT HELD OUTSIDE STATE TREASURY

Service Bureau Closing Book for FY 2005

Business Area Name: _____

Business Area Number: _____

Custodial Credit Risk					
(j)	(k)	(l)	(m)	(n)	(o)
Insured	Collateralized - the collateral is held by the government's agent in the government's name. The agent is not the pledging financial institution.	Collateralized - the collateral is held by the pledging financial institution's trust department in the government's name.	Collateralized - the collateral is held by the pledging financial institution's trust department but not in the government's name.	Uninsured and Uncollateralized	Total
					-
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\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
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**STATE OF ARKANSAS
DEPARTMENT OF FINANCE AND ADMINISTRATION
OFFICE OF ACCOUNTING**

Service Bureau Closing Book for FY 2005

Business Area Name: _____

Business Area Number: _____

ADDITIONAL DEPOSITS AND INVESTMENTS INFORMATION

Please describe the policy used by your agency for deposits and investments.

Investments may contain terms that increase the sensitivity of their fair values to increasing interest rates-for example, terms embedded in variable-rate investments such as reset dates, benchmark indexes, and coupon multipliers. Please indicate which investments listed on Form 1B INVESTMENTS HELD OUTSIDE THE STATE TREASURY contain terms that increase the sensitivity of fair values to increasing interest rates. If not, mark N/A.

Please disclose the methodology used by your agency in determining the fair market value of your investments in the space provided below (e.g. pricing services or prices quoted by independent brokers at current exchange rates).

Are there legal or contractual provisions applicable to your investments that are not applicable to all State agencies? (If yes, please include a brief explanation of the related legal or contractual provisions and list any known instances of noncompliance, if any, during the fiscal year ending June 30, 2005.)

Does your agency participate in any external investment pools?

☐ Yes ☐ No

An external investment pool is an arrangement that commingles (pools) the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio (one or more of the participants is not part of the sponsor's reporting entity). An investment pool that is sponsored by an individual state government is an external investment pool if it includes participation by a legally separate entity that is not part of the same reporting entity as the sponsoring entity.

**STATE OF ARKANSAS
DEPARTMENT OF FINANCE AND ADMINISTRATION
OFFICE OF ACCOUNTING**

Service Bureau Closing Book for FY 2005

Business Area Name: _____

Business Area Number: _____

ADDITIONAL DEPOSITS AND INVESTMENTS INFORMATION (continued)

If your agency participates in an external investment pool, answer the following questions:

Is the agency's participation voluntary or involuntary? ☐ Voluntary ☐ Involuntary

Please provide the name(s) of any external investment pools in which your agency participates.

Is the external investment pool SEC registered? ☐ Yes ☐ No

If not, please provide a brief description of any regulatory oversight for the pool and whether the fair market value of the position in the pool is the same as the value of the pool shares.

Does your agency have any foreign-denominated deposits? ☐ Yes ☐ No

Does your agency have any foreign-denominated investments? ☐ Yes ☐ No

STATE OF ARKANSAS

DEPARTMENT OF FINANCE AND ADMINISTRATION OFFICE OF ACCOUNTING

Service Bureau Closing Book for FY 2005

Business Area Name: _____

Business Area Number: _____

INTER-AGENCY – RECEIVABLES/PAYABLES

FISCAL YEAR ENDED: JUNE 30, 2005

PURPOSE: To identify transactions between State agencies (including Colleges, Universities and Retirement Systems) which represent inter-agency receivables/payables for reporting purposes at June 30.

PROCEDURES: During the course of normal operations the State has numerous transactions between agencies including the provision of services. These inter-agency receivables must equal the inter-agency payable state agencies are combined. **Only those transactions between your agency and other agencies shall be reported.** In the event of a dispute of the amount of the receivable, the amount shown by the agency with the receivable shall be recorded on both agencies books of record. **Recording the payable in accordance with the receivable should not be considered as agreement to the amount by the agency recording the liability.**

Inter-agency Receivables

If there is a balance in 1140003100, contact your CAFR liaison because your 6/30/04 accrual entries may have properly reversed.

Identify all transactions for which your agency should record an inter-agency receivable, i.e. those transactions for which your agency provided something of value to another agency before June 30, but had not received payment as of June 30.

Each agency must contact all agencies for which an inter-agency receivable is recorded and communicate the amount of the receivable, the fund in which the receivable is recorded, and the general ledger revenue account number where the deposited amount will be coded by your agency.

FORM 2A – INTER-AGENCY RECEIVABLES

List each of the following for each of your agency's inter-agency receivables:

- a. **Other business area name** - enter the other agency's business area name.
- b. **Other business area number** - enter the other agency's business area number.

- c. **Communicated with agency** - check the box to indicate your agency has communicated with agency involved in the transaction.
- d. **Amount** – enter the amount of the receivable.
- e. **Your AASIS fund** – enter the fund where the amount will be deposited by your agency.
- f. **Receiving GL revenue account** – enter the GL revenue code to which the receipt will be posted.
- g. **Paying BA's AASIS Fund** - enter the fund from which the amount will be paid by the other agency.
- h. **Paying GL expense account** - enter the general ledger expense account where the amount will be coded by the other agency.

Inter-agency Payables

If there is a balance in account number 2110004100, please contact your CAFR liaison for guidance because 6/30/04 accrual entries may not have properly reversed.

Identify all transactions for which your agency recorded or should have recorded an inter-agency payable. List those transactions for which your agency received something of value from another agency before June 30, 2004, for which you had not paid as of June 30, 2004. If your agency has not already been contacted by the agency with the inter-agency receivable, your agency must contact all agencies for which an inter-agency payable is recorded and correct the amount of the payable, the fund in which the payable is recorded, and the general ledger expense account number where the amount will be coded by your agency. Enter each inter-agency payable on Form 2B.

INSTRUCTIONS – FORM 2B INTER-AGENCY PAYABLES

List the following for each of your agency's inter-agency payables:

- a. **Other Business Area Name** - enter the other business area's name.
- b. **Other Business Area Number** - enter the other agency's business area number.
- c. **Communicated with agency** - check the box to indicate your agency has communicated with agency involved in the transaction.
- d. **Amount** - enter the amount
- e. **Your AASIS Fund** - enter the fund where the amount will be expensed by your agency.
- f. **Paying GL expense account** - enter the general ledger expense account where the expense will be coded by your agency.
- g. **Receiving BA's AASIS Fund** - enter the fund where the amount will be received by the other agency.
- h. **Receiving GL revenue account** - enter the general ledger revenue account where the amount will be coded by the other agency.

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STATE OF ARKANSAS
DEPARTMENT OF FINANCE AND ADMINISTRATION
OFFICE OF ACCOUNTING

Not Applicable ☐

FORM 2A - JUNE 30, 2005 INTER-AGENCY RECEIVABLES

Service Bureau Closing Book for FY 2005
BUSINESS AREA NAME: _____

BUSINESS AREA NUMBER: _____

(a) Other Business Area Name	(b) Other Business Area Number	(c) Communicated with other agency	(d) Amount	(e) Your AASIS Fund	(f) Receiving GL revenue account	(g) Paying BA's AASIS Fund	(h) Paying GL expense account
		<input type="checkbox"/>					
		<input type="checkbox"/>					
		<input type="checkbox"/>					
		<input type="checkbox"/>					
		<input type="checkbox"/>					
		<input type="checkbox"/>					
		<input type="checkbox"/>					
		<input type="checkbox"/>					
		<input type="checkbox"/>					

TOTAL: \$ -

NOTE: All fields must be completed for each inter agency receivable. This will necessitate you working with other agencies.

Prepared by

Agency Telephone Number

Date

STATE OF ARKANSAS
DEPARTMENT OF FINANCE AND ADMINISTRATION
OFFICE OF ACCOUNTING

Not Applicable ☐

FORM 2B - JUNE 30, 2005 INTER-AGENCY PAYABLES

Service Bureau Closing Book for FY 2005
BUSINESS AREA NAME: _____

BUSINESS AREA NUMBER: _____

(a) Other Business Area Name	(b) Other Business Area Number	(c) Communicated with other agency	(d) Amount	(e) Your AASIS Fund	(f) Paying GL expense account	(g) Receiving BA's AASIS Fund	(h) Receiving GL revenue account
		<input type="checkbox"/>					
		<input type="checkbox"/>					
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		<input type="checkbox"/>					

TOTAL: \$ -

NOTE: All fields must be completed for each inter agency payable. This will necessitate you working with other agencies.

Prepared by

Agency Telephone Number

Date

STATE OF ARKANSAS

**DEPARTMENT OF FINANCE AND ADMINISTRATION
OFFICE OF ACCOUNTING**

Service Bureau Closing Book for FY 2005

Business Area Name: _____

Business Area Number: _____

LEASES

FISCAL YEAR ENDED: JUNE 30, 2005

PURPOSE: To collect data on all leases of property and equipment.

PROCEDURES: Each agency should analyze each lease entered and determine if the lease is a capital lease or an operating lease. Enter operating lease information where your agency is the lessee on Form 3A. Enter capital lease information where your agency is a lessee on Form 3B.

Have you entered into any new capital leases during the period July 1, 2004, through June 30, 2005? ☐ Yes ☐ No

If yes, please provide the following information:

1. Is this asset recorded as a Capital Asset in AASIS? ☐ Yes ☐ No

2. Present value of the net minimum lease payments at inception. \$ _____.

3. Have all necessary journal entries been made in AASIS for both the modified and full accrual records?
Examples include recording Other Financing Sources for modified accrual and reduction of Capital
Leases Payable by the principle expense for full accrual.

4. Have the following been sent to your agency liaison:

Copy of the lease agreement? ☐ Yes ☐ No

Amortization schedule? ☐ Yes ☐ No

INSTRUCTIONS – FORM 3A OPERATING LEASES:

Use Form 3A to list all operating leases that were in effect on June 30, 2005.

Report all operating leases with non-state agencies.

Include the following information:

- a. **Description of Lease Agreement** - enter a description of the nature and property involved in each lease agreement.

- b. **AASIS Fund Code** - enter the AASIS fund code where the payments were made.
- c. **Rental Payments year ended 6/30/05** - enter the amount of payments made in the period July 1, 2004 – June 30, 2005.
- d. **Total Annual Rentals for the Fiscal Year Ended June 30** - enter the total annual rentals for the fiscal year ended June 30 - The total rental payments due under current lease terms for the next five fiscal years ended June 30. Be certain to include only rental for the term of the current lease. For example, if the lease expires on June 30, 2006, the columns for 2007, 2008, 2009, 2010, 2011 to 2015, etc. should be left blank

INSTRUCTIONS – FORM 3B CAPITAL LEASES PAYABLE:

List all **capital** leases that were in effect on June 30, 2005. You should also include leases with the Arkansas Development Finance Authority.

Include the following information:

- a. **Description of Lease Agreement** - enter a description of the nature and property involved in each lease agreement.
- b. **Is this leased with another state agency?** - indicate whether this asset is leased from another state agency. If yes, list the agency's business area.
- c. **AASIS Fund Code** - enter the AASIS fund code.
- d. **Asset shell number in AASIS** - enter the asset shell number in AASIS
- e. **Asset acquisition value on capitalization date** - enter the asset acquisition value on capitalization date.
- f. **Accumulated Depreciation at 6/30/05** - enter the full accrual (area 20) accumulated depreciation of the asset at June 30, 2005.
- g. **Book value of the asset at June 30, 2005** - enter the asset acquisition value less accumulated depreciation.
- h. **Future Principal Payments Due** - enter the principal portion of total minimum annual lease payments due under current lease terms for the next five fiscal years ended June 30. Be certain to include only payments for the term of the current lease. For example if the lease expires on June 30, 2006, the columns for 2007, 2008, 2009, 2010, 2011 to 2015, etc. thereafter should be left blank.
- i. **Total principal payments due** – this column will calculate automatically.
- j. **Current Portion of Total Principal Payments Due** – this column will calculate automatically.
- k. **Non-current Portion of Total Principal Payments Due** – this column will calculate automatically
- l. **Future Interest Payments Due** – the interest portion of total minimum annual lease payments due under current lease terms for the next five fiscal years ended June 30. Be certain to include only payments for the term of the current lease. For example if the lease expires on June 30, 2006, the columns for 2007, 2008, 2009, 2010, 2011 to 2015, etc. thereafter should be left blank.
- m. **Total Interest Payments Due** – this column will calculate automatically.

Total the columns.

STATE OF ARKANSAS
DEPARTMENT OF FINANCE AND ADMINISTRATION
OFFICE OF ACCOUNTING

NOT APPLICABLE ☐

FORM 3A - OPERATING LEASES

Service Bureau Closing Book for FY 2005

BUSINESS AREA NAME: _____

BUSINESS AREA NO: _____

(a) Description of Lease Agreement	(b) AASIS Fund Code	(c) Rental Payments year ended 6/30/05	(d) Total Annual Rentals for the Fiscal Year Ended June 30:								Total Rental Payments Due
			2006	2007	2008	2009	2010	2011-2015	2016-2020	2021-2025	
											-
											-
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TOTALS: \$ - - - - - - - - - - -

Prepared By _____

Agency Telephone Number _____

Date _____

STATE OF ARKANSAS

DEPARTMENT OF FINANCE AND ADMINISTRATION OFFICE OF ACCOUNTING

Service Bureau Closing Book for FY 2005

Business Area Name: _____

Business Area Number: _____

YEAR-END DISCLOSURE PACKAGE GRANT/CONTRIBUTION REVENUES FISCAL YEAR ENDED: JUNE 30, 2005

PURPOSE: To identify grants and/or contributions, which are restricted in whole or partially for the acquisition of capital assets. To also identify any grants which do not restrict any specific amounts to specific programs.

ACCOUNTING POLICY: GASB 34 requires that capital grants and operating grants be reported in separate columns on the financial statements. We are only requesting information on capital grants which are **\$50,000 or greater**. We will assume that all grants not reported on Form 5A are operating grants or are immaterial grants, which do not meet the \$50,000 threshold. GASB 34 also requires the grants awarded that do not restrict any specific amounts to specific programs be reported as general revenues as opposed to program revenues on government wide financial statements.

Capital grants/contributions are grants or contributions, which are to be used to purchase or construct capital assets.

Does your agency have any capital grants and/or contributions?

☐ Yes ☐ No

If yes, see instructions for Form 5A, which immediately follow.

Please select one by placing an x in the corresponding blank.

Does your agency have any grants that do not restrict any specific amounts to specific programs?

☐ Yes ☐ No

Your agency would be able to allocate the grant revenue amount to any program at its discretion. Programs will be defined as:

education; health and human services; transportation; law, justice, and public safety; recreation and resource development; general government; and labor, commerce, and regulatory.

If yes, see instructions for Form 5B.

INSTRUCTIONS – FORM 5A CAPITAL GRANTS

Agencies who are recipients of grants and/or contributions which are **required** to be used to purchase or construct capital assets should complete form 5A. Grants which are partially required to be used for capital acquisition should be reported also. Grants which **may** be used for either operating expenses or capital assets should **not** be reported as a capital grant.

a. AASIS Fund Code

b. Description of grant/contribution

- c. CFDA number, if a federal grant
- d. Grant/contribution amount received and/or accrued – include actual cash receipts of funds plus amounts recorded as receivable at June 30, 2005, less amounts recorded as receivable at June 30, 2004.
- e. Amount of grant/contribution used to acquire capital assets – list the amount of the grant/contribution which was used to purchase or construct capital assets. (Capital assets include equipment, highways, etc.) This line will equal line 6 if the grant was entirely for capital asset acquisition. If a portion of the amount reported on line 6 was required to be used for capital assets, then list amount on this line. Once again, only include capital grants, which are \$50,000 or more.

INSTRUCTIONS FORM 5B – UNRESTRICTED GRANTS

- a. AASIS Fund Code
- b. Description of Grant
- c. Amount of Grant – List amount of grant, only include grants which do not restrict specific amount to specific programs.

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1. If only a
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STATE OF ARKANSAS

DEPARTMENT OF FINANCE AND ADMINISTRATION

OFFICE OF ACCOUNTING

Not Applicable

☐

FORM 5A - CAPITAL GRANTS

Service Bureau Closing Book for FY 2005

BUSINESS AREA NAME:

BUSINESS AREA NUMBER:

(a)	(b)	(c)	(d)	(e)
Fund Code	Description of Grant	CFDA #, If applicable	Grant Amount Received and/or Accrued	Amount of Grant Used to Acquire Capital Assets

TOTALS: \$ - \$ -

Prepared By _____

Agency Telephone No. _____

Date _____

STATE OF ARKANSAS

DEPARTMENT OF FINANCE AND ADMINISTRATION

OFFICE OF ACCOUNTING

NOT APPLICABLE ☐

FORM 5B - UNRESTRICTED CAPITAL GRANTS

Service Bureau Closing Book for FY 2005

BUSINESS AREA NAME:

BUSINESS AREA NUMBER:

(a) Fund Code	(b) Description of Grant	(c) Grant Amount

TOTAL: \$ _____ -

Prepared By _____

Agency Telephone Number _____

Date _____

STATE OF ARKANSAS

DEPARTMENT OF FINANCE AND ADMINISTRATION OFFICE OF ACCOUNTING

Service Bureau Closing Book for FY 2005

Business Area Name: _____

Business Area Number: _____

COMMITMENTS

FISCAL YEAR ENDED: JUNE 30, 2005

PURPOSE: To identify commitments, which have been entered into as of the end of the fiscal year.

ACCOUNTING POLICY: GAAP requires disclosure of commitments. A commitment is the promise of exchange which often takes the form of a contract. The amount of the commitment represents the total committed less any payments made or liabilities (payables) incurred for the commitment. Please only provide information on contracts and other commitments in the amount of **\$50,000 or greater**. We will assume contracts and other commitments not on Form 6 are immaterial commitments and do not meet the \$50 threshold.

INSTRUCTIONS – FORM 6 COMMITMENTS

Use Form 6 to list all commitments in effect on June 30, 2005.

Report all commitments over \$50,000. Commitments should be included even if they extend beyond the 2005 fiscal year.

Include the following information on Form 6:

- a. AASIS Fund Code
- b. Project number – include the project number assigned to the commitment in AASIS, if applicable
- c. Description of commitment/contract
- d. Description of the purpose of the commitment/ contract (most commonly construction or professional services)
- e. Amount – include total amount of the commitment/contract at June 30, 2005, less amounts previously recorded as liabilities at June 30, 2005.

For example, if your agency has a contract with ABC Construction, Inc. to construct XYZ Building over a 3 year time period for \$350,000 and your agency has made payments of \$100,000 in FY 2004 and \$100,000 in FY 2005 for work completed on the contract to ABC Construction, Inc., you might enter "3 year Construction with ABC Construction, Inc." as the Description of the Contract (item c), "Construction of XYZ Building" as the Purpose of the Commitment (item d) and "\$150,000" (the total contract amount - \$350,000, less payments made) as the amount of the commitment (item e). Any contract amounts recorded as accounts payable retainage payable as of June 30 each year should be considered as payments made since that expense has already been recorded in the financial statements.

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STATE OF ARKANSAS

DEPARTMENT OF FINANCE AND ADMINISTRATION

OFFICE OF ACCOUNTING

NOT APPLICABLE

☐

FORM 6 COMMITMENTS

Service Bureau Closing Book for FY 2005

BUSINESS AREA NAME:

BUSINESS AREA NUMBER:

(a) Fund Code	(b) Project Number	(c) Description of Contract/Commitment	(d) Purpose of Commitment	(e) Amount

TOTAL: \$ -

Prepared By _____

Agency Telephone Number _____

Date _____

STATE OF ARKANSAS

**DEPARTMENT OF FINANCE AND ADMINISTRATION
OFFICE OF ACCOUNTING**

Service Bureau Closing Book for FY 2005

Business Area Name: _____

Business Area Number: _____

MISCELLANEOUS DISCLOSURES

FISCAL YEAR ENDED: JUNE 30, 2005

1. Has your agency been the recipient of any endowments? ☐ Yes ☐ No

If yes, please provide the total amount of endowments received by your agency. \$ _____

If yes, also please provide the net appreciation on investments available for expenditure. \$ _____

2. A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated or governed by two or more participants as separate and specific activity subject to joint control, in which the participants retain a) an ongoing financial interest or b) an ongoing financial responsibility. Generally, the purpose of a joint venture is to pool resources and share the costs, risks and rewards of providing goods or services to the joint venture participants directly, or the benefit of the public or specific service recipients.

Does your agency participate in any joint ventures? ☐ Yes ☐ No

If yes, please provide the name's of the joint venture's, with a brief description of the purpose of the joint venture's in which your agency participates.

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3. Reverse repurchase agreements are agreements in which a broker-dealer or a financial institution would transfer cash to a governmental entity in exchange for securities; the governmental entity would promise to repay the cash plus interest in exchange for the same or different securities at a later date. Did your agency have any reverse repurchase agreements during the fiscal year ending June 30, 2005?

Did your agency have any reverse repurchase agreements during the fiscal year ending June 30, 2005? ☐ Yes ☐ No

If yes, please provide the total amount of reverse repurchase agreements held by your agency during the fiscal year ending June 30, 2005. \$ _____

4. Securities lending transactions are transactions in which securities are transferred to another entity for collateral (generally cash, securities or letters of credit) and simultaneously agree to return the collateral for the same securities at a future date.

Did your agency have any securities lending transactions during the fiscal year ending June 30, 2005? ☐ Yes ☐ No

If yes, please provide the total amount of securities lending transactions held by your agency during the fiscal year ending June 30, 2005. \$ _____

5. Are there any other items concerning your agency which should be disclosed in accordance with the management representation letter? ☐ Yes ☐ No

(If yes, please attach a brief summary describing such items)

6. Does your agency have any employees that are on military leave as of year end for which employer and employee retirement contributions will be payable upon their return to work? ☐ Yes ☐ No

(If yes, please contact your CAFR Liaison for further guidance.)

7. What is the status of prior year audit findings including CAFR, single audit, and other agency audits?

--

8. GASB requires Fund Balance/Net Assets to be categorized as Reserved/Restricted or Unreserved/Unrestricted for Modified and Full Accrual respectively. Reserved Fund Balance/Restricted Net Assets are designed to reflect net assets that are subject to restrictions beyond the government's control. Qualifying restrictions for this purpose include:

Restrictions that are externally imposed (for instance, by creditors, grantors, contributors, or laws/regulations of other governments) or

Restrictions imposed by law through constitutional provisions or enabling legislation (including enabling legislation passed by the government itself)

Please provide the following information on the following types of restrictions so that we may properly determine the amounts for Reserved Fund Balance/Restricted Net Assets:

Debt Service

Grant Programs

Capital Projects

Transportation Programs

Tobacco Settlement

Other

If you need additional space, provide a separate listing.

[illegible]

Prepared by

Agency Telephone No.

Date _____

STATE OF ARKANSAS

**DEPARTMENT OF FINANCE AND ADMINISTRATION
OFFICE OF ACCOUNTING**

Service Bureau Closing Book for FY 2005

Business Area Name: _____

Business Area Number: _____

LEGAL COUNSEL

FISCAL YEAR ENDED: JUNE 30, 2005

1 Provide a list of your agency's In-House Counsel.

--

☐ IF NOT APPLICABLE, PLEASE PLACE AN "X" IN THE BLANK.

2 Provide a list of outside legal counsel engaged from July 1, 2004, through June 30, 2005. T should include general counsel retained for the defense of the agency but not counsel enga other matters, such as collection of bad debts. For each firm listed, please provide firm add phone number and attorney contact.

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☐ IF NOT APPLICABLE, PLEASE PLACE AN "X" IN THE BLANK.

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Prepared By

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Agency Telephone Number

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Date

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STATE OF ARKANSAS

**DEPARTMENT OF FINANCE AND ADMINISTRATION
OFFICE OF ACCOUNTING**

Service Bureau Closing Book for FY 2005

Business Area Name: _____

Business Area Number: _____

CLAIMS AND JUDGMENTS/CONTINGENCIES QUESTIONNAIRE

FISCAL YEAR ENDED: JUNE 30, 2005

INSTRUCTIONS:

Your responses to this questionnaire should include matters that existed at June 30, 2005. **Please make copies and complete this questionnaire for every contingency** meeting the following guidelines. You should only include those individual contingent liabilities that are reasonably expected to be equal to or in excess of \$500,000.

☐ **IF NOT APPLICABLE, PLEASE PLACE AN "X" IN THE BLANK**

QUESTIONNAIRE:

1. For those contingencies individually in excess of \$500,000 regarding pending or threatened litigation asserted and unasserted claims and assessments outstanding at June 30, 2005, or which have arisen since that date, please answer the following:

a. Type of contingency.

b. The nature of each matter.

c. The progress of each matter to date.

- d. How the State is responding to or intends to respond to the matter (for example, to contest the matter vigorously or intends to seek an out-of-court settlement).

- e. An evaluation of the likelihood (either REMOTE, REASONABLY POSSIBLE, OR PROBABLE) of an unfavorable outcome and an estimate, if one can be made, of the amount or range of the potential loss.

LIKELIHOOD OF OUTCOME:

POTENTIAL LOSS OF ESTIMATE:

STATE OF ARKANSAS

DEPARTMENT OF FINANCE AND ADMINISTRATION
OFFICE OF ACCOUNTING

Service Bureau Closing Book for FY 2005

Business Area Name: _____

Business Area Number: _____

CLAIMS AND JUDGMENTS/CONTINGENCIES QUESTIONNAIRE (CONTINUED)

FISCAL YEAR ENDED: JUNE 30, 2005

- f. Was the likelihood of outcome and estimate arrived at by the Arkansas Office of Attorney General, Arkansas Claims Commission, In-House Counsel, or Outside Counsel?

- g. The civil action number and location of the court, where applicable.

2. For those contingencies individually **less than \$500,000**, regarding pending or threatened litigation asserted and unasserted claims and assessments outstanding at June 30, 2005, please list the number of contingencies and the total estimated liability.

- a. Total number of claims less than \$500,000.

- b. Total estimated liability for all individual claims less than \$500,000.

3. Such explanation as you consider appropriate concerning: **judgments rendered or settlements reached** if any, from July 1, 2004, through the date of your response.

4. For litigation reported on the June 30, 2004 closing book form that is not reported on this form, describe whether the action was dismissed, settled, not currently outstanding, etc., for each of the litigation matters.

Please return any supporting documentation along with this questionnaire.

Prepared by

Agency Telephone Number

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STATE OF ARKANSAS

DEPARTMENT OF FINANCE AND ADMINISTRATION OFFICE OF ACCOUNTING

Service Bureau Closing Book for FY 2005

Business Area Name: _____

Business Area Number: _____

COMPLIANCE WITH LAWS AND REGULATIONS

FISCAL YEAR ENDED: JUNE 30, 2005

PURPOSE: In connection with the audit of the CAFR, the independent auditors are required to evaluate the State's compliance with federal, state, and local laws and regulations which may have a material effect on the financial position or results of the State.

INSTRUCTIONS: It is imperative that each agency identify those laws and regulations of which non-compliance could have a material effect on the State's Comprehensive Annual Financial Report. We have defined a material effect as being \$500,000 or more. Identify those laws and regulations that could result in a \$500,000 effect on the financial statements, should your agency be in non-compliance. Please list each law and/or regulation and the appropriate authoritative source. If necessary consult with your in-house counsel or legislative counsel. ***Do not respond by saying that you are in compliance with all laws and regulations. We are specifically looking for the identification of those laws and regulations that might have a material effect if your agency did not comply with the law or regulation. Any closing book returned without the appropriate completion of this section will be considered incomplete.***

Please provide the following supplemental information:

1. A listing of those federal and state laws and regulations with which noncompliance may have a material effect on the financial position or results of your agency. The list should include laws and regulations which are specific to your agency (i.e. guideline regarding grants received, revenue collection guidelines, etc.) and should exclude laws and regulations which apply to all state agencies (i.e. state purchasing regulations, federal or state environmental laws, Fair Labor Standards Act, etc.). If there are no laws or regulations which an event of noncompliance could effect your agency's financial position by \$500,000 or more, then please state such in the space provided below.

2. A listing of known instances of non-compliance, if any, during the fiscal year ending June 30, 2005, as well as through the date of your response.

Prepared by

Agency Telephone Number

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STATE OF ARKANSAS

DEPARTMENT OF FINANCE AND ADMINISTRATION OFFICE OF ACCOUNTING

Service Bureau Closing Book for FY 2005

Business Area Name: _____

Business Area Number: _____

FRAUD RISK ASSESSMENT

FISCAL YEAR ENDED: JUNE 30, 2005

PURPOSE: In connection with the audit of the CAFR, the independent auditors are required to assess the risk of material misstatement of the financial statements due to fraud. They are also required to make specific inquiries of the agencies to obtain their understanding regarding the risk of fraud within the agencies and to determine whether they have knowledge of fraud that has been perpetrated on or within the agencies.

INSTRUCTIONS:

Complete the following checklist by placing an "x" in the blank corresponding to risk factors that exist at your agency:

Management's Characteristics and Influence over the Control Environment

1. Motivation for management to engage in fraudulent financial reporting

- a. A significant portion of management's compensation represented by bonuses or other incentives, the value of which is contingent upon the agency achieving unduly aggressive targets for operating results, financial position or cash flow _____
- b. A significant portion of agency-wide, department, federal financial assistance programs, or fund management compensation or performance appraisals linked to budgetary or program accomplishments or other incentives, the value or results of which are contingent upon the agency achieving unduly aggressive targets for budgetary or operating results _____
- c. An excessive interest in meeting or exceeding the agency's budgetary targets or maintaining fund balance or debt coverage requirements through the use of unusually aggressive accounting practices _____
- d. Practice by management of committing to creditors and other third parties to achieve what appear to be unduly aggressive or clearly unrealistic forecasts _____
- e. Substantial political pressure on management creates an undue concern about reporting positive financial accomplishments _____

2. Failure by management to display and communicate an appropriate attitude regarding internal control and the financial reporting processes

- a. Ineffective means of communicating and supporting the agency's values or ethics, or communication of inappropriate values or ethics _____
- b. An ineffective or nonexistent means of communicating and supporting the agency's accountability for public resources and ethics, especially regarding such matters as acceptable business practices, conflicts of interests, and codes of conduct _____

- c. Domination of management by a single person or small group without compensating controls such as effective oversight by the board of directors _____
- d. Inadequate monitoring of significant controls _____
- e. Management failing to correct known reportable conditions on a timely basis _____
- f. Management setting unduly aggressive financial targets and expectations for operating personnel _____
- g. Management displaying a significant disregard for regulatory authorities _____
- h. Management displaying or conveying an attitude of disinterest regarding strict adherence to federal financial assistance rules and regulations such as those related to participant eligibility, benefit determinations, or eligibility _____
- i. Management continuing to employ an ineffective accounting, information technology or internal auditing staff _____
- j. A governing body that lacks appropriate background knowledge or experience regarding the function and responsibilities of government _____
- k. Lack of established policies or controls related to investment risk levels _____
- 3. Nonfinancial management's excessive participation in, or preoccupation with, the selection of accounting principles or the determination of significant estimates _____
 - a. An individual or individuals with no apparent executive position(s) with the agency appear to exercise substantial influence over its affairs or over individual departments, federal financial assistance programs, or funds (for example, a major political donor or fundraiser, or a major employer in the community) _____
- 4. High turnover of senior management, counsel, or board members _____
- 5. Strained relationship between management and the auditor _____
 - a. Frequent disputes with the auditor on accounting, auditing, or reporting matters _____
 - b. Unreasonable demands on the auditor including unreasonable time constraints regarding the completion of the audit or the issuance of the auditor's reports _____
 - c. Formal or informal restrictions on the auditor that inappropriately limit his or her access to people or information or his or her ability to communicate effectively with the board of directors _____
 - d. Domineering management behavior in dealing with the auditor, especially involving attempts to influence the scope of the auditor's work _____
- 6. Known history of securities law violations or claims against the agency or its senior management alleging fraud or violations of securities laws _____

Industry Conditions

1. New accounting, statutory, or regulatory requirements that could impair the financial stability or profitability of the agency _____
 - a. Imminent or anticipated adverse changes in major program legislation or regulations that could impair the financial stability or profitability of the agency _____
2. High degree of competition or market saturation, accompanied by declining margins _____
 - a. High degree of competition for federal financial assistance funding especially when accompanied by declining availability of federal financial assistance funding nation-wide or region-wide _____
3. Declining industry with increasing business failures and significant declines in customer demand _____
 - a. Major taxpayers in declining industries or tenuous financial condition _____
 - b. Declining property values or tax base or other restrictions on revenue recognition or realization _____
 - c. Declining federal financial assistance program funding, declining program participant populations, or declining benefits amounts _____
 - d. The agency is experiencing a stagnant tax base or revenue base, declining enrollments, or declining demand or use _____
4. Rapid changes in the industry, such as high vulnerability to rapidly changing technology or rapid product obsolescence _____
 - a. Rapid changes in major taxpayers' industries such as significant technology changes, customer bases, or product obsolescence _____
 - b. Rapid changes in federal financial assistance programs, such as significant centralization or decentralization initiatives, funding shifts from federal to state or local levels, increases _____
 - c. Threat of imminent program termination or significant reduction in scope, the effect of which could have a material financial impact on the agency _____

Operating Characteristics and Financial Stability

1. Inability to generate cash flows from operations while reporting earnings and earnings growth _____
2. Significant pressure to obtain additional capital necessary to stay competitive considering the financial position of the agency - including the need for funds to finance major research and development or capital expenditures _____
 - a. Significant pressure to obtain additional funding necessary to stay viable and maintain levels of service considering the financial or budgetary position of the agency or of a specific fund or program, including need for funds to finance major infrastructure improvements or other capital expenditures _____
3. Assets, liabilities, revenues, or expenses based on significant estimates that involve unusually subjective judgments or uncertainties, or that are subject to potential disruptive effect on the agency - such as the ultimate collectibility of receivables, timing of revenue recognition, realizability of financial instruments based on the highly subjective valuation of collateral or difficult-to-assess repayment sources, or significant deferral of costs _____

4. Significant related party transactions not in the ordinary course of business or with related entities not audited or audited by another firm _____
5. Significant, unusual, or highly complex transactions, especially those close to year end, that pose difficult "substance over form" questions _____
6. Overly complex organizational structure involving numerous or unusual legal entities, managerial lines of authority, or contractual arrangements without apparent business purpose _____
 - a. Significant subrecipient or subcontract relationships for which there appears to be no clear programmatic or business justification (for example, a subrecipient providing services it does not appear qualified to provide, or a vendor geographically distant from the agency when nearby vendors are available) _____
7. Difficulty in determining the organization or individual(s) that control(s) the agency _____
8. Especially high vulnerability to changes in interest rates _____
9. Unusually high dependence on debt or marginal ability to meet debt repayment requirements; debt covenants that are difficult to maintain _____
 - a. Threat of imminent third-party funding termination or significant reduction in third-party funding levels, the effect of which could be financially material to the agency _____
10. Unrealistically aggressive sales or profitability incentive programs _____
 - a. Unrealistically aggressive budget or program goals _____
11. Adverse consequences on significant pending transactions, such as a business combination or contract award, if poor financial reports are reported _____
12. A mix of fixed price and cost reimbursable program types funded by third parties that create incentives to shift costs or otherwise manipulate accounting transactions _____
13. Significant investments in high risk financial instruments or high risk ventures _____

Susceptibility of Assets to Misappropriation

1. Large amounts of cash being processed or cash on hand _____
2. Inventory characteristics, such as small size, high value or high demand _____
3. Easily convertible assets, such as bearer bonds, food stamps, or computer equipment _____
4. Fixed asset characteristics, such as small size, marketability, or lack of ownership identification _____

Internal Controls

1. Lack of appropriate management oversight (for example, inadequate supervision or monitoring of remote locations) _____
2. Lack of job applicant screening procedures relating to employees with access to assets susceptible to misappropriation _____
3. Inadequate record keeping with respect to assets susceptible to misappropriation _____
4. Lack of appropriate segregation of duties or independent checks, especially in areas such as purchasing, eligibility determination, and benefits awards _____
5. Lack of appropriate system of authorization and approval of transactions such as purchasing, benefit determinations, and eligibility _____
6. Poor physical safeguards over cash, investments, inventory, or fixed assets _____
7. Lack of timely and appropriate documentation for transactions such as eligibility and benefit determinations _____
8. Lack of mandatory vacations for employees performing key control functions _____

Financial Stress of Employees or Adverse Relationships Between the Entity and its Employees

1. Anticipated future employee layoffs that are known to the work force _____
2. Employees with access to assets susceptible to misappropriation who are known to be dissatisfied _____
3. Known unusual changes in behavior or lifestyle of employees with access to assets susceptible to misappropriation _____
4. Known personal financial pressures affecting employees with access to assets susceptible to misappropriation _____

Prepared by

Agency Telephone Number

Date

PLEASE COPY THIS LETTER ONTO YOUR AGENCY LETTERHEAD

Division of Legislative Audit Little Rock, Arkansas

We are responsible for the fair presentation of our agency's financial information in AASIS and the Year-End Disclosure Package. We have entered all transactions into AASIS or have given the Department of Finance and Administration permission to enter the transactions into AASIS on our behalf and have reviewed the results for accuracy. Our general ledger is maintained on the accrual basis of accounting. We have completed all applicable closing forms and supporting data. We have documents on file which support all of the financial information submitted in the Year-End Disclosure Package. Such records and other information you request, if any, will be made available during the course of your audit. Management is responsible for compliance with the laws and regulations applicable to it. We are also responsible for establishing and maintaining effective internal control over financial reporting.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

In connection with the preparation of the fiscal year 2005 Year-End Disclosure Package and the AASIS trial balance or provided financial statements, we confirm, to the best of our knowledge and belief, the following:

1. We understand that, as is customary, your audit will be made in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller of the United States, and accordingly, will include such tests of the accounting records and such other auditing procedures as you consider necessary in the circumstances for the purpose of rendering opinions on the financial statements. We also understand that such an audit will not necessarily disclose all instances of fraud should there be any.
2. We are responsible for the fair presentation, in conformity with generally accepted accounting principles, of those amounts necessary to adjust or to properly reflect the agency's budgetary basis financial results in accordance with GAAP. We have properly reported on a GAAP basis any and all trust, agency, or exempt cash accounts in AASIS.
3. At the conclusion of the audit, we will have made available to you all records and related data for all financial transactions of the agency and for all funds administered by the agency. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by the agency, and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.
4. There have been no:
 - a. Actions taken by management which contravene the provisions of federal laws and Arkansas laws and regulations, or of contracts and grants to the State of Arkansas that would result in an accrual of a liability or that should be disclosed in the financial statements.
 - b. Instances of fraud involving management or employees who have significant roles in the internal control.
 - c. Communications from other governmental or regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices, requirements related to the administration of federal grant programs, or other matters that could have a material effect on the financial statements.
5. There have been no violations of the covenants of debt instruments.
6. The agency has no plans or intentions that affect the carrying value or classification of assets and liabilities.
7. The following, to the extent applicable, have been properly recorded and disclosed in the Year-End Disclosure Package:
 - a. Related party transactions and associated amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements and guarantees (written or oral).
 - b. Arrangements involving restrictions on cash balances.
 - c. Deposits and investments with significant individual or group credit risk, concentration of credit risk, interest rate risk or foreign currency risk.

- d. All laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on the determination of financial statement amounts.
 - e. Impaired loans receivable.
 - f. Loans that have been restructured to provide a reduction or deferral of interest or principal payments because of borrower financial difficulties.
 - g. Interfunded transactions, including repayment terms.
 - h. Contingent assets or liabilities.
8. We have disclosed in the Year-End Disclosure Package adequate information to properly determine the amounts for any reservations of fund balances and restrictions of net assets.
9. There are no:
- a. Violations or possible violations of laws and regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5, Accounting for Contingencies.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5, Accounting for Contingencies.
 - d. Agreements to repurchase assets previously sold.
 - e. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.
 - f. Environmental Protection Agency regulations or requirements or environmental liabilities that have not been considered in determining the amount of liabilities to be recorded or contingency to be disclosed.
 - g. Guarantees, whether written or oral, under which the agency is contingently liable.
 - h. Deposits or investments with significant individual or group credit risk, concentration of credit risk, interest rate risk or foreign currency risk.
 - i. Instances of noncompliance with specific legal or contractual provisions significant to individual or a group of deposits or investments.
 - j. Conditions or events that will prevent the agency from continuing operations through Fiscal Year 2006.
10. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud. We understand that the term "fraud" includes misstatements arising from fraudulent financial reporting and misstatements arising from misappropriation of assets. Misstatements arising from fraudulent financial reporting are intentional misstatements, or omissions of amounts or disclosures in financial statements to deceive financial statement users. Misstatements arising from misappropriation of assets involve the theft of an entity's assets where the effect of the theft causes the financial statements not to be presented in conformity with accounting principles generally accepted in the United States of America.
11. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
- a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
12. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.

13. No division of the agency has reported a material instance of noncompliance to us.
14. There are no significant deficiencies in the design or operation of internal controls which could adversely affect the agency's ability to record, process, summarize and report financial data and we have identified all material weaknesses in internal controls. We interpret "significant deficiencies in the design or operation of internal controls" to be consistent with the concept of a "reportable condition," defined under standards established by the American Institute of Certified Public Accountants. Such standards define a "reportable condition" as a significant deficiency in the design or operation of internal control that could adversely affect the entity's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. We understand that the term "material weakness in internal control" is a reportable condition for which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that could be material in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.
15. There are no transactions that have not been properly recorded in our closing forms.
16. Capital assets, including infrastructure assets, are properly capitalized, reported and, if applicable, depreciated. The agency has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
17. Interfund, internal and intra-agency activity and balances have been appropriately classified and reported.
18. We have identified and properly accounted for all nonexchange transactions.
19. We have disclosed all contracts or other agreements with the agency's service organizations.
20. (Employee Benefits Division and Department of Human Services only) We have disclosed all communications from the agency's third-party service organization(s) relating to noncompliance with the agency's operations at that service organization(s).
21. (Worker's Compensation only) We agree with the work of specialists in evaluating the worker's compensation liability and have adequately considered the qualifications of the specialist in determining amounts and disclosures used in the Year-End Disclosure Package and underlying accounting records. We did not give any instructions, nor cause any instructions to be given, to specialists with respect to values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have impacted the independence or objectivity of the specialists.
22. (Employee Benefits Division only) We agree with the work of specialists in evaluating the public employee health insurance liability and have adequately considered the qualifications of the specialist in determining amounts and disclosures used in the Year-End Disclosure Package and underlying accounting records. We did not give any instructions, nor cause any instructions to be given to specialists with respect to values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have impacted the independence or objectivity of the specialists.
23. (Arkansas Public Employees Retirement System, Arkansas Judicial Retirement System, Arkansas State Police Retirement System, Teacher Retirement System and Arkansas State Highway Employees Retirement System only) We agree with the work of specialists in evaluating the actuarial accrued liability and have adequately considered the qualifications of the specialist in determining amounts and disclosures used in the Year-End Disclosure Package and underlying accounting records. We did not give any instructions, nor cause any instructions to be given to specialists with respect to values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have impacted the independence or objectivity of the specialists.
24. In preparing the Year-End Disclosure Package amounts necessary to adjust or properly reflect the agency's budgetary basis financial results in conformity with accounting principles generally accepted in the United States of America, management uses estimates. We have disclosed in the Year-end Disclosure Package all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.

25. We are responsible for determining and maintaining the adequacy of the allowance for doubtful notes, loans, interfund receivables and accounts receivable, as well as estimates used to determine such amounts. We believe the allowance is adequate to absorb currently estimated bad debts in the account balances.
26. Using our best estimates based on reasonable and supportable assumptions and projections, we review for impairment our long-lived assets and certain identifiable intangibles whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable.
27. The agency's investment portfolio at June 30, 2005, does not include any off-balance sheet derivative financial instruments (e.g. futures, options, swaps), including outstanding commitments to purchase or sell securities under forward placement and standby arrangements.
28. We have identified and made the appropriate disclosures for all derivative instruments not reported at fair value in the financial statements in accordance with GASB Technical Bulletin 03-1, Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets.
29. There are no material environmental remediation liabilities.
30. No events have occurred subsequent to June 30, 2005, that require consideration as adjustments to, or disclosures in, the financial statements.
31. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the Year-End Disclosure Package:
 - a. The concentration exists at the date of the financial statements.
 - b. The concentration makes the agency vulnerable to the risk of a near-term severe impact.
 - c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.
32. Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value. All inventories are the property of the agency and do not include any items consigned to it, any items billed to customers, or any items for which the liability has not been recorded.
33. The agency has disclosed whether, subsequent to June 30, 2005, any changes in internal control or other factors that might significantly affect internal control, including any corrective action taken by the agency with regard to reportable conditions, including material weaknesses, have occurred.
34. In estimating fair values of certain assets and liabilities, such as investments in real estate and other investments for which readily available market values do not exist, we believe that the market assumptions used were the most appropriate in the circumstances.
35. In accordance with Government Auditing Standards, we have identified to you the significant findings and recommendations from previous financial audits, attestation engagements, performance audits, federal compliance audits or reviews, or other studies related to the objectives of this audit and have accurately communicated to you the related corrective actions taken to address the findings.
36. We are responsible for the identification of and compliance with all aspects of laws, regulations, contracts, or grants that could have a material effect on the basic financial statement amounts or on the administration of federal programs in the event of noncompliance including legal and contractual provisions for reporting specific activities in separate funds and has disclosed those aspects of laws, regulations, contracts, or grants to you.
37. We have complied, in all material respects, with applicable laws, regulations, contracts and grants that could have a material effect on the basic financial statements in the event of noncompliance.

Agency Director

Agency Chief Accounting Officer

NOTE: If there are issues requiring disclosure regarding assertions above, please insert "except as described below" and provide relevant information and supporting information. If your agency has environmental remediation liabilities substitute the following in item **29**: "Provision has been made for any material loss that is probable from environmental remediation liabilities associated with (*insert name of site*). We believe that such estimate is reasonable based on available information and that the liabilities and related loss contingencies and the expected outcome of uncertainties have been adequately disclosed in the agency's Year-end Disclosure Package.